

# Glossary

**Accruals:** Revenue and expenses that are recorded as they occur, even though they may not have actually been paid.

**Amortize:** To reduce the value of an asset through regular charges to income over time; or to write off expenditures by prorating them over a period of time.

**Appropriation:** Public funds set aside by Congress for a specific purpose.

**Barcode:** A series of vertical full bars and half bars representing the ZIP Code information printed on a mailpiece to facilitate automated processing by barcode reader equipment.

**Board of Governors:** As the governing body of the Postal Service, the Board is comparable to a board of directors of a private corporation. The Board includes nine governors who are appointed by the president with the advice and consent of the Senate. The nine governors select a Postmaster General, who becomes a member of the Board, and those 10 select a Deputy Postmaster General, who also serves on the Board. The Board directs and controls the expenditures and reviews the practices and policies of the Postal Service.

**Callable:** Debt that the Postal Service as the borrower has the right to repurchase.

**Capitalize:** To treat an expenditure as an asset; or to compute the present value of a future payment that will be paid over a period of time.

**Classification Reform:** On July 1, 1996, the Postal Service adjusted the domestic mail classification system to establish a simple, more consistent rate structure and to keep its products in line with the changing needs of the marketplace.

**Contribution:** The difference between the revenue from a class of mail and that class's volume-variable costs. For example, if a class of mail has revenues of \$1.5 billion and volume-variable costs of \$1 billion, its contribution is \$500 million, which means that this class of mail covers its costs and contributes \$500 million to the common costs of all mail services.

**Corporate Call Management:** National service centers accessible through a toll-free number that provide callers with postal information and services.

**CustomerPerfect!:** A quality process management system that builds customer satisfaction and excellence into every process and procedure of the Postal Service.

**Delivery Confirmation:** Delivery confirmation is a special service designed to provide the date of delivery or attempted delivery for Priority Mail and Standard Mail (B)—parcels, bound printed matter, and library mail.

**Depreciate:** To periodically reduce the estimated value of an asset over the course of its useful life.

**Deputy Postmaster General (DPMG):** A member of the Board of Governors, jointly appointed by the Postmaster General and Governors.

**Economic Value Added (EVA):** A measure of financial performance calculated by taking net operating income and subtracting a charge for the capital used to produce that income ( $EVA = \text{net operating income} - \text{capital charge}$ ).

**Equity:** The difference between the value of all assets less all liabilities.

**Express Mail:** The Postal Service's premium delivery service, providing guaranteed overnight delivery for documents and packages weighing up to 70 pounds. Both domestic and international services are offered.

**First-Class Mail:** A class of mail including letters, postcards, and postal cards, all matter wholly or partially in writing or typewriting, and all matter sealed or otherwise closed against inspection.

**Fixed Asset:** Any tangible property such as buildings, machinery and equipment, furniture, and leasehold improvements.

**Generally Accepted Accounting Principles (GAAP):** The rules and procedures of accepted accounting practice as defined by the Financial Accounting Standards Board.

**Global Package Link (GPL):** International package delivery service and state-of-the-art information system for volume mailers sending merchandise to participating overseas markets.

**Global Priority Mail (GPM):** A category of international mail that provides fast service at attractive rates to 27 countries.

**Gross Domestic Product (GDP):** The total market value of all the goods and services produced in one year in the United States.

**Household Diary Study:** A multiyear market research study of all the mail that originates

and arrives in a scientifically selected number of households. For one week, all the members of a household record every piece of mail they send or receive, including such information as the class of mail, the identity of the senders and receivers, and the content.

**International Business Unit (IBU):** A strategic business unit of the Postal Service that focuses exclusively on the international market and is responsible for both household and commercial services. The IBU also is responsible for Army Post Office and Fleet Post Office services.

**Leasehold:** An asset that gives the Postal Service the right to use property under a lease.

**Liability:** Any debt or obligation the Postal Service is bound to pay.

**Negative Equity:** The amount of money that the Postal Service does not have to settle all of its obligations if they were to come due immediately.

**Optical Character Reader (OCR):** An automated mail processing machine that optically scans letter mail, locates the address, and translates the address information into a barcode representation of the ZIP+4 delivery point barcode.

**Periodicals:** A class of mail, formerly called second-class mail, that consists of magazines, newspapers, and other publications.

**Point-of-Service ONE (POS ONE):** An electronic retail sales device that assists employees with retail transactions and provides product inventory and sales information.

**Postal Inspection Service:** The investigative arm of the Postal Service responsible for internal audits and investigating criminal acts involving the mails and misuse of the postal system.

**Postal Rate Commission (PRC):** An independent federal agency that makes recommendations concerning Postal Service requests for changes in postal rates and mail classifications.

**Postal Stores:** A modernized Postal Service retail unit that has postal products on open display, offering customers self-service selection and full-service counter assistance.

**Postmaster General (PMG):** The chief executive officer of the Postal Service, appointed by and serving at the pleasure of the Governors.

**Present Value:** The value today of a future payment that is discounted at a stated rate of compound interest. For example, the present value of \$100 that

will be paid to the Postal Service 10 years from now is about \$38.55, if we discount that \$100 at a rate equal to 10 percent interest compounded annually.

**Priority Mail:** Priority Mail provides two- to three-day delivery service.

**Processing and Distribution Center (P&DC):**

A large mail-sorting and dispatching plant that serves as a hub for mail originating from post offices, collection boxes and customer mailboxes, and large-volume mailers in a designated service area.

**Process Management:** A systematic, data-based approach to improving the performance of business. It is an approach that identifies opportunities for improvement using proven problem-solving methods.

**Receivable:** Money that is owed to the Postal Service.

**Recognize:** To record in Postal Service accounts as income or expense.

**Rural Free Delivery (RFD):** Begun in 1896 as an experiment in West Virginia, RFD brought daily mail delivery to farmers and others living outside urban areas.

**Standard Mail:** New name for the merger of third-class mail and fourth-class mail as one class under Classification Reform implementation of July 1, 1996.

**United States Mail:** Any mailable matter that is accepted for mail processing and delivery by the Postal Service.

**United States Postal Service (USPS):** The successor to the Post Office Department, the USPS was established by the Postal Reorganization Act of July 1, 1971, as an independent, self-supporting federal agency within the executive branch.

**Universal Service:** The Postal Service's mandate and commitment to the nation to provide mail delivery service at uniform and reasonable rates to everyone, everywhere, six days a week.

**Year:** As used in the financial section of this report, it means the Postal Service fiscal year, which is the 12-month period during which the Postal Service keeps accounts, beginning Oct. 1 and closing Sept. 30.

**Zoning Improvement Plan (ZIP):** Established in 1963, a system of five-digit codes or ZIP codes that identifies the individual post office or metropolitan area delivery station associated with every mailing address. This system was later expanded to ZIP+4, which includes more defined delivery areas.